



*United States Attorney  
Southern District of New York*

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**RICHARD BLECH, LEADER OF CREDIT BANCORP, LTD.  
PLEADS GUILTY TO FEDERAL 'PONZI SCHEME' FRAUD CHARGES**

JAMES B. COMEY, the United States Attorney for the Southern District of New York, announced that RICHARD J. BLECH, the Chairman, CEO and President of the defunct multinational "financial engineering" firm Credit Bancorp, Ltd. ("CBL"), pled guilty today in Manhattan federal court to securities fraud and wire fraud charges, based on his participation in a scheme to defraud customers of at least \$210 million by fraudulently inducing them to invest cash, securities and other assets in investment programs known as the "CBL Insured Credit Facility" and the "CBL Insured Securities Strategy."

BLECH, a United States citizen who previously resided in France, was arrested in France at the request of the United States on April 3, 2000, and was extradited to the United States on January 3, 2002. On February 1, 2002, a federal grand jury returned a 13-count Indictment charging BLECH and four others variously with conspiracy, securities fraud, wire fraud and commercial bribery in connection with the CBL scheme.

According to the Indictment and BLECH's statements in connection with his guilty plea, CBL had its headquarters in Geneva, Switzerland, and other offices in the United States and elsewhere. BLECH directed the affairs of CBL from its headquarters in Geneva, and controlled numerous CBL bank and brokerage accounts in Europe and elsewhere. CBL purported to provide "financial engineering" and investment services to customers. However, CBL was operated as a "Ponzi scheme," in which the proceeds of investments were paid to earlier investors in order to create the false appearance that CBL was profitable, and thereby induce additional customers to invest assets with CBL.

According to the Indictment and BLECH's statements in connection with his guilty plea, from approximately 1996 through 1999, BLECH, and others associated with CBL, fraudulently induced approximately 80 customers to invest securities and other assets worth approximately \$200 million in the CBL Insured Credit Facility. In addition, from approximately 1998 through 1999, BLECH, and others associated with CBL, caused approximately 100 customers to invest approximately \$10 million in cash and other assets in the CBL Insured Securities Strategy. The CBL Insured Securities Strategy was targeted to individual investors, including holders of individual retirement accounts ("IRAs").

According to the Indictment, BLECH, and others affiliated with CBL, falsely represented to prospective CBL customers that Mitsui Trust Company (also known as Chuo Mitsui

Trust Company), a Japanese financial institution with offices in Manhattan, had entered into a large investment transaction with CBL. According to the Indictment, an officer of Mitsui Trust Company falsely confirmed those representations, advising prospective CBL customers that Mitsui Trust Company had invested approximately \$50 million or more with CBL, in return for bribes paid by BLECH and others associated with CBL.

BLECH, 39, pled guilty to two counts of securities fraud and one count of wire fraud. BLECH faces a maximum sentence on the securities fraud counts of 10 years in prison and a \$1 million fine, or twice the gross gain or loss resulting from the offense. BLECH faces a maximum sentence on the wire fraud count of 5 years in prison and a \$250,000 fine or twice the gross gain or loss resulting from the offense.

BLECH's guilty plea was entered by United States District Judge JOHN G. KOELTL. BLECH is scheduled to be sentenced by Judge KOELTL on June 20, 2003. Judge KOELTL has scheduled the trial on the remaining charges against BLECH's co-defendants THOMAS M. RITTWEGER, CBL's Managing Director for North America; DOUGLAS C. BRANDON, a Lexington, Kentucky, attorney employed by CBL; ROBERT S. DEHAVEN, a former officer of Mitsui Trust Company; and VICTOR M. WEXLER, who managed a foreign exchange trading business affiliated with CBL, for May 5, 2003.

Mr. COMEY is a member of the President's Corporate Fraud task force. The Task Force is chaired by Deputy Attorney General LARRY THOMPSON, and was created by President BUSH earlier this year to combat white collar crime.

Mr. COMEY praised the efforts of the Federal Bureau of Investigation, and thanked the United States Securities and Exchange Commission, the Swiss Federal Office of Justice and the Republic and Canton of Geneva for their assistance in the investigation.

Assistant United States Attorneys TIMOTHY J. COLEMAN and JAY K. MUSOFF are in charge of the prosecution.

The charges contained in the Indictment against RITTWEGER, BRANDON, DEHAVEN, and WEXLER are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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